Q1 2019 trading statement

Unless otherwise stated, comments in this statement refer to Q1 2019 performance (Q4 2018)

Performance highlights

- Revenue of USD 308m (USD 336m)
- Financial uptime of 99.9% (98.6%)
- Number of contracted days of 1,475 corresponding to utilisation of 73% (1,488 contracted days corresponding to utilisation of 67%)
- Average day rate of USD 208k (USD 225k) impacted by expiry of legacy contracts, particularly in the floater segment
- Secured contracts in Q1 2019 with a total contract value of USD 72m
- Revenue backlog as of 31 March 2019 of USD 2.2bn (USD 2.5bn) with a forward contract coverage for the remaining part of 2019 of 67%
- On 3 April 2019, a three-year contract commencing in Q2 2020 was secured for the semi-submersible Maersk Deliverer with a total contract value of USD 300m. Including this contract, the total contract backlog amounted to USD 2.5bn

Guidance 2019

The previously announced full-year guidance for 2019 is maintained:

- Profit before depreciation and amortisation, impairment losses/reversals and special items (EBITDA before special items) is expected to be around USD 400m
- Capital expenditures are expected to be in the level of USD 300-350m

"Our performance in the first quarter was in line with expectations. We continued to deliver an industry-leading performance with a financial uptime of 99.9%. Revenue of USD 308m was lower than Q4 2018 impacted by expiry of legacy contracts. We have secured several contracts providing a continued high degree of earnings visibility. Our 2019 full-year guidance remains unchanged. Longer term we continue to expect improved market fundamentals with increased utilisation and higher day rates."

Jørn Madsen
Chief Executive Officer

Revenue and business drivers

	Jack-up rigs	Floaters	Total
Q1 2019			
Revenue (USDm)	204	104	308
Contracted days	1,057	418	1,475
Available days	1,350	669	2,019
Utilisation	78%	62%	73%
Average day rate (USDk)	193	247	208
Financial uptime	99.9%	100.0%	99.9%
Revenue backlog (USDm)	1,654	579	2,233
Q4 2018			
Revenue (USDm)	205	131	336
Contracted days	1,029	459	1,488
Available days	1,472	736	2,208
Utilisation	70%	62%	67%
Average day rate (USDk)	199	284	225
Financial uptime	99.1%	97.5%	98.6%
Revenue backlog (USDm)	1,813	653	2,466

Market update

During Q1 2019, the Brent crude oil price averaged USD 64/bbl, down from the average of USD 69/bbl in Q4 2018. The current oil price level remains supportive of free cash-flow generation among the E&P companies. Meanwhile, years of underinvestment and low discovery volumes have reduced the average reserve life, and E&P companies are consequently incentivised to increase exploration and development efforts in order to ensure future production capacity. Further, more than 90% of the undeveloped offshore resources are estimated to be profitable at current oil price levels. The combination of increasing free cash flows, the need to replace reserves and existence of economically viable offshore projects is likely to result in offshore E&P spending increasing and more projects being sanctioned.

The anticipated recovery in the offshore market is supported by an increase in utilisation across both the jack-up and floater segments, though the utilisation levels are not yet supportive of a broad-based day rate recovery. Certain markets are still characterised by excess capacity with incremental demand and/or further supply rationalisations required to achieve increasing day rates. Other segments such as the ultra-harsh jack-up market are characterised by significantly higher utilisation which is supportive of day rate improvements.

Fixture activity continues to increase for both the jack-up and floater segments. Tendering activity continues to increase for jack-ups, while floater tendering activity seems to be more muted. Particularly, the average duration of jack-up contracts being tendered is increasing, whilst the average floater tender duration remains flat. While the timing of the recovery remains uncertain, Maersk Drilling continues to expect higher utilisation and day rates in the longer term.

Q1 2019 performance

Revenue for Q1 2019 decreased by 8% to USD 308m (USD 336m) compared with Q4 2018. The lower revenue is due to lower average day rates especially in the floater segment impacted by expiry of legacy contracts. The operational performance has been outstanding with a financial uptime of 99.9% (98.6%).

The total number of contracted days was roughly unchanged with 1,475 days in Q1 2019 compared to 1,488 days in Q4 2018. The increase in overall utilisation from 67% for Q4 2018 to 73% for Q1 2019 was primarily driven by a reduction of available days following the decision to divest one jack-up rig in late 2018 and increased number of yard stay days.

The average day rate was USD 208k per day in Q1 2019 compared to USD 225k per day in Q4 2018, affected by expiry of legacy contracts.

Jack-up segment

Revenue within the jack-up segment of USD 204m in Q1 2019 was at level with USD 205m in Q4 2018. For the quarter, the jack-up segment had 1,057 contracted days (1,029 days) out of 1,350 available days (1,472 days) leading to 78% utilisation (70%). Compared to Q4 2018, utilisation has increased by 8%-points positively driven by both increased activity and a reduction of available days following the decision to divest one jack-up rig in late 2018.

Financial uptime increased to 99.9% in Q1 2019 from 99.1% in Q4 2018. The positive impact on revenue from the increase in contracted days and financial uptime was offset by a reduction in average day rate from USD 199k in Q4 2018 to USD 193k in Q1 2019.

Floater segment

Revenue within the floater segment decreased to USD 104m in Q1 2019 compared to USD 131m in Q4 2018, negatively affected by Maersk Voyager coming off a legacy contract driving a decrease in the average floater day rate to USD 247k in Q1 2019 from USD 284k in Q4 2018, and a decrease in contracted days to 418 days in Q1 2019 from 459 days in Q4 2018 partly driven by Maersk Explorer conducting a yard stay in Q1 2019. Correspondingly, available days decreased to 669 days in Q1 2019 from 736 days in Q4 2018 resulting in an unchanged utilisation rate for Q1 2019 of 62% (62%).

The floater segment delivered 100% financial uptime in Q1 2019, up from 97.5% in Q4 2018.

Revenue backlog

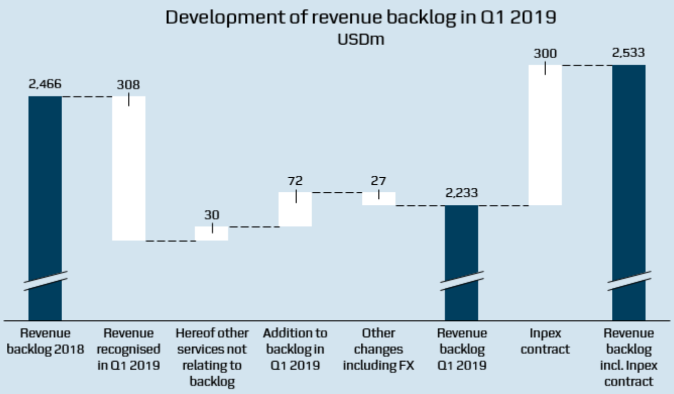
As of 31 March 2019, the revenue backlog amounted to USD 2.2bn. One new contract and six contract extensions were signed in Q1 2019 with a total contract value of USD 72m. All contracts signed in Q1 2019 commence within 2019, strengthening the short term activity level and providing a high degree of earnings visibility.

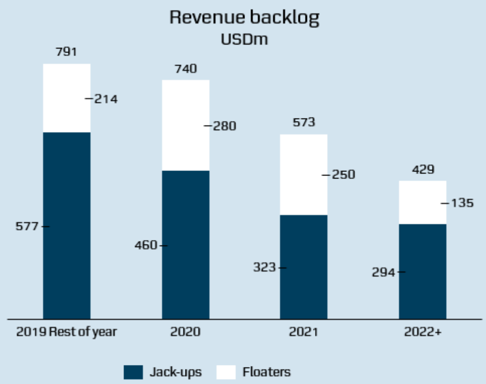
In addition to the contract backlog as of 31 March 2019, Maersk Drilling has signed two new contracts and one contract extension since the end of Q1 2019. The contract signed with Inpex Australia and joint venture participants for the ultra-deepwater semi-submersible, Mærsk Deliverer, comprises a firm duration of three years commencing in Q2 2020, plus two one-year options. The firm contract value (revenue) is USD 300m, including mobilisation, equal to a day rate of USD 266,200.

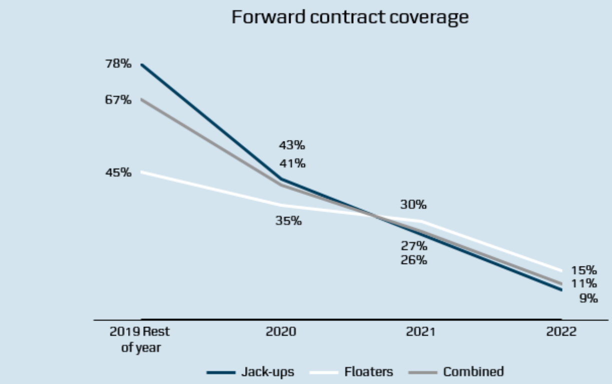
The contract extension signed in April is also within the floater segment and comprise of a 100-day extension from BP for Maersk Discoverer in Egypt. This contract extends the contract period from August until November of this year.

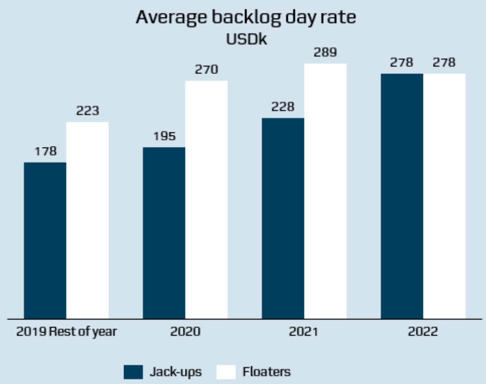
In May, Maersk Drilling was awarded a firm one-well contract with three additional one-well options by AGM Petroleum Ghana for the ultra deepwater drillship Maersk Viking. One of the three options has been exercised.

To reflect the impact of the significant contract with Inpex on our backlog, this has been included in the below graphics. Detailed contract information and planned out-of-service time for the rig fleet is provided in the fleet status report dated 16 May 2019 and made available at Maersk Drilling's website, www.maerskdrilling.com.









Guidance for 2019

The previously announced full-year guidance for 2019 is maintained:

- Profit before depreciation and amortisation, impairment losses/reversals and special items (EBITDA before special items) is expected to be around USD 400m.
- Capital expenditures are expected to be in the level of USD 300-350m.

EBITDA before special items is sensitive to the level of contracting of additional days to the current backlog and the day rates thereon. Capital expenditures are sensitive to final scheduling and scoping of rig upgrades and yard stays, which are subject to commercial and operational planning.

Webcast
In connection with the release of the Q1 2019 trading statement, Maersk Drilling Executive Management will host a conference call on Thursday 16 May 2019 at 10:00 a.m. CEST.

The conference call can be followed live via webcast on https://getvisualtv.net/stream/?maersk-drilling-q1-2019-trading-statement

The presentation slides for the conference call will be available beforehand on https://investor.maerskdrilling.com/financial-reports-presentations

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Forward-looking statements
This announcement contains certain forward-looking statements (being all statements that are not entirely based on historical facts including, but not limited to, statements as to the expectations, beliefs and future business, contract terms, including commencement dates, contract durations and day rates, rig availability, financial performance and prospects of Maersk Drilling). These forward-looking statements are based on our current expectations and are subject to certain risks, assumptions, trends and uncertainties that could cause actual results to differ materially from those indicated by the forward-looking statements due to external factors, including, but not limited to, oil and natural gas prices and the impact of the economic climate; changes in the offshore drilling market, including fluctuations in supply and demand; variable levels of drilling activity and expenditures in the energy industry; changes in day rates; ability to secure future contracts; cancellation, early termination or renegotiation by our customers of drilling contracts; customer credit and risk of customer bankruptcy; risks associated with fixed cost drilling operations; unplanned downtime; cost overruns or delays in transportation of drilling units; cost overruns or delays in maintenance, repairs, or other rig projects; operating hazards and equipment failure; risk of collision and damage; casualty losses and limitations on insurance coverage; weather conditions in the Company's operating areas; increasing costs of compliance with regulations; changes in tax laws and interpretations by taxing authorities, hostilities, terrorism, and piracy; impairments; cyber incidents; the outcomes of disputes, including tax disputes and legal proceeding; and other risks disclosed in Maersk Drilling's Annual Reports and company announcements. Each forward-looking statement speaks only as of the date hereof, and the Company expressly disclaims any obligation to update or revise any forward-looking statements, except as required by law.